

**The Desirability and Feasibility of Democracy in the Eyes of Private
Entrepreneurs in China**

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Abstract

Do private entrepreneurs in China support democracy? This study shows that in general, private entrepreneurs find democracy desirable, but their concern with the feasibility of democracy predisposes them toward maintaining the status quo. Drawing on a national survey, this research indicates that Chinese private entrepreneurs are more likely to have democratic values than the non-entrepreneurial middle class and working class, controlling the effects of relevant political, regional and demographic factors. An analysis of a survey data on 2071 private entrepreneurs further shows that politically embedded entrepreneurs are not significantly less likely to endorse democratic values than non-politically embedded entrepreneurs. In-depth interviews suggest that private entrepreneurs who have democratic values tend to argue that democracy is infeasible in China, at least in the near future. In real life, they adopt a pro-government stance in their economic, social and political activities.

Key words: private entrepreneurs, democratic values, political embeddedness, desirability, and feasibility

摘要

中国的私营企业主支持民主吗？此研究发现整体上他们拥有民主价值观念，但是他们认为民主在中国不可行，所以他们选择维持现状。通过分析一份全国性问卷调查数据，本文指出中国的私营企业主比其他的中产阶级和劳动阶层更加可能支持民主价值观念，在控制了相关的政治性，区域性和基本的个人特征的影响之后，这样的差异依然存在。用结构化方程模型分析一份针对 2071 位私营企业主的问卷调查数据进一步表明私营企业主的民主价值观念并不受他们与政府的政治联系的影响。和政府有各种联系的私营企业主并没有比其他企业主更加保守。然而通过与他们的深度访谈，文章发现拥有民主价值观念的私营企业家同时也支持政府。他们认为民主在中国并不可行，至少在目前这个阶段。因此，他们倾向于选择维持现状。

Introduction

With rapid economic growth and modernization, the prospects for democratization in China have become an important academic interest. A number of scholars have made optimistic predictions that democratization is inevitable in China and will be brought about by its growing economy (Diamond 1999). Some argue that “the Chinese Communist Party (CCP) will be removed from power and the existing political system replaced by a broadly democratic one” (Gilley 2004). Rowen (1996) even estimated that China would be democratic by 2015. Such optimistic predictions are inspired in part by the stunning expansion of China’s private sector since the early 1990s. The private sector accounted for 65 percent of China's GDP and contributed over 80 percent of its economic growth in 2006 (China Daily February 26th, 2007); and by June 2009, the private sector accounted for 75 percent of total employment (All China Federation of Industry and Commerce). As the private sector has gained increasing importance in the national economy, private entrepreneurs are expected to play a more important role in China’s political life.

Some scholars argue that private entrepreneurs are the likely catalyst of democracy as their counterparts were in the West (Zheng 2004). However, other studies point out that they bear little democratic potential (Tsai 2007), and have been deeply embedded into the political system (Chen & Dickson 2010). To address the enigma of the democratic attitudes of Chinese private entrepreneurs, this study examines whether they are more or less likely to endorse democratic values than other social groups. It then tests the effects of political embeddedness - the political connections with the state - on private entrepreneurs’ attitudes toward democracy and the current government. Through in-depth interviews, this study further constructs a typology of Chinese private entrepreneurs

according to their democratic attitudes and support for the current government to get a better understanding of their political attitudes.

Examining private entrepreneurs as one social group, this study finds that Chinese private entrepreneurs in general, are more likely to endorse the democratic values of political participation, rule of law and individual sovereignty than the non-entrepreneurial middle class and working class, with other factors being equal. The existing literature has paid inadequate attention to the democratic values of Chinese entrepreneurs. Instead, their potential interest in democratization has been well discussed in the literature, with the general consensus being that Chinese entrepreneurs are not possible agents for democratization. Although in terms of behavioral potential, this conclusion is probably an accurate reflection of their stance of maintaining the status quo, the democratic values of private entrepreneurs are still worth a more careful exploration.

Recent studies on political attitudes of Chinese private entrepreneurs have emphasized their political connections, conceptualized as political embeddedness (Chen & Dickson 2008, 2010), and focused on their vested material interests in maintaining the status quo. This study explicitly examines the effects of political embeddedness on their democratic values. Does political embeddedness create support for the regime and induce negative impressions of democracy among private entrepreneurs? Applying structural equation modeling (SEM) on Dickson and Chen's 2006 survey data on private entrepreneurs, this study finds that political embeddedness does not have significant impacts on private entrepreneurs' democratic values, but does increase their support for the current government.

In-depth interviews with private entrepreneurs in Zhejiang province help to provide a more vivid and comprehensive picture of entrepreneurs' political attitudes. Based on the

interviews, a typology of their attitudes according to their democratic views and attitudes toward the current government is constructed. Entrepreneurs who find democracy desirable tend to support the current government as well because they consider democracy infeasible in China, at least in the near future. The existing literature does not mark on the prospect of China's becoming a democracy in the near future, or its impacts on private entrepreneurs' attitudinal orientations. This paper suggests that the concern of the infeasibility of democracy in China predisposes Chinese private entrepreneurs toward maintaining the status quo.

The political attitudes of Chinese private entrepreneurs cannot be simply classed as democratic or conservative. Since the economic reforms, Chinese private entrepreneurs have grown up and developed considerable political knowledge. They are aware of the differences between a democracy and a one-party system, and have formed their own understandings of Chinese politics and its political development. With higher social status, higher political efficacy, and higher stakes in government policies, both in theory and in practice, private entrepreneurs are more likely to have democratic values than non-entrepreneurial classes. Neither political embeddedness nor political background influences their democratic values significantly. However, despite their democratic values, they would generally argue that democracy is not suitable for China, at least not in the near future. As one entrepreneur employing around 100 workers producing hangers told me "in the long run, one party ruling couldn't be right. Democracy is the direction. However, for today's China, one party ruling is more suitable." In previous public opinion surveys and in real life, entrepreneurs appear to be conservative regime supporters.

This study is organized as follows. The first part briefly reviews the literature on the relationship between economic development with a growth of capitalists and

democratization. The second part, drawing on a national survey, the Chinese General Social Survey (CGSS) 2006, explores the democratic values of Chinese private entrepreneurs as a whole by comparing them with other social groups. The following part analyzes a survey data on 2071 private entrepreneurs (Dickson and Chen's data) to examine the effects of political embeddedness on their democratic values and support for the current government. In the fourth section, based on interviews with private entrepreneurs in Zhejiang province conducted in December 2010, this study proposes a typology of Chinese entrepreneurs to show that their concern of the feasibility of democracy drives them to be status quo oriented. The final part explores the implications of the findings and concludes the paper.

Literature on Chinese private entrepreneurs and democratization

There has been a long endeavor to explore the relationship between economic development and democracy. The modernization theory, which originates from the hypothesis first proposed by Lipset (1959), has an abundant and complex literature discussing how economic development accompanied by an expanding service sector, higher educational levels and modernized values would favor democratization. However, the work of Adam Przeworski and Fernando Limongi (1997, 158-159, 165), opposed to this classic proposition, demonstrated that “the probability that any given country would become democratic does not change as its level of income rises.”

Democratization happens at any level of development. The reason why democracy and a developed economy always come together is that democracy under prosperous conditions tends to be stable. This argument is influential among social scientists, and is a serious challenge to the modernization theory. Later on, Carles Boix and Susan Stokes

(2003, 518-519) put forward another argument that “development increases both the probability of the transition to democracy and the probability that an existing democracy will sustain itself.” The main reason for this endogenous democratic transition is that “capitalists living in a rich dictatorship are likely to choose democracy.” (Boix & Stokes 2003, 540)

The role of capitalists is highlighted in the transition literature, as in the old proposition by Moore (1966, 418) "no bourgeois, no democracy" and the classical argument by Schumpeter (1976, 296-297) that “modern democracy is a product of the capitalist process”. Capitalists are believed to be the potential catalyst of democratization in authoritarian countries for a number of reasons: the capitalist mode of production requiring a free market, the capitalists' preference of higher degree of representation in decision making process and their strong desire for the protection of private property. Scholars have applied this logic to Chinese political development. White predicted in 1994 that privatization and expansion of the private economy would gradually complete China's transition into a liberal democracy. The balance of power between state and society would continue to shift in a direction favorable to pluralist politics, which could in turn strengthen the impetus for further change in the political system. Zheng (2004, 311) argues that “Chinese business owners are likely to play a role that their European counterparts did in the past, and Capitalism is generating a Chinese bourgeoisie. It is a class with teeth.”

However, according to Eva Bellin (2000), capitalists are contingent democrats in late-developing countries. Their enthusiasm for democracy is contingent on their dependence on the state and their fear of disorder. “So long as the state generally anticipates the interests of private sector capital, capital does not feel compelled to create

formal democratic institutions to ensure state accountability.” (Bellin 2000, 181) Recent empirical studies on political attitudes of Chinese private entrepreneurs have reached a corresponding conclusion that they are unlikely to be agents of democratization (Yang 2006, Tsai 2007, Chen & Dickson 2010). These studies have pointed out that generally, private entrepreneurs support the government led by the CCP due to their dependence on the state for their prosperity, and also their common interests with the CCP in continuous economic development and sociopolitical stability.

Pearson (1997) described a hybrid pattern of state-society relations, which contained both “socialist corporatism” and “clientelism”, by examining the relations between the state and two segments of China’s new business elite: the foreign sector managers and private entrepreneurs. She pointed out that although they had obtained a striking degree of structural autonomy from the state compared to other economic groups, and their views toward economic reform and politics were firmly pro-market and to a large extent, anti-regime and anti-communist, they won’t develop contentious relations with the state. Instead, they rely on personal and clientelistic relations with officials to get business done. On the other hand, by revitalizing business associations, the state has attempted to co-opt potentially influential entrepreneurs. She believed that this hybrid pattern was likely to endure, and that the business elite won’t convert its privileged economic position, structural independence, and ideological predilections into a force for democratization. In her study, political relationship with the state as social corporatism and clientelism were emphasized in explaining private entrepreneurs’ low demand for democratization, but the exact effects of political relationship on entrepreneurs’ attitudes were not tested.

Dickson (2003) described the corporatist strategy adopted by the CCP to both cooperate with private entrepreneurs and to monitor and control their activities. Studying

private entrepreneurs with large firms, he demonstrated that these capitalists shared similar views on key political issues with government officials, and were very reluctant to promote democratization (Dickson 2007). In his 2008 paper with Chen, they measured political embeddedness as having CCP membership, membership of the All China Federation of Industry and Commerce (ACFIC), or being a deputy in people's congresses (PC) or people's political consultative conferences (PPCC). They found that the politically embedded capitalists were not significantly more likely to support the government, stating "only red capitalists who were former cadres were reliable supporters of the government, other ties to the state did not create support for the regime" (Chen & Dickson 2008). This result is different from the common argument in this group of literature that the capitalists with closer ties to the state should be more supportive of government, either because the CCP's recruitment strategy is to select the most trustworthy capitalists or because political embeddedness bringing along economic benefits creates support for the regime. In this study, the relationship between embeddedness and government support is retested in the third section, as well as the effects of political background including the experiences as former cadres on government support.

According to Tsai (2005), Chinese private entrepreneurs were very diversified and could hardly be identified as one "unified" class. She pointed out that taking into account their employment background and firm's characteristics is essential in understanding their interests and intentions. She actually found that former state owned enterprises (SOE) managers were more likely to be demanding of the state and less inclined to support the status quo (2007). This finding is cross-examined in this paper. The impacts

of several other personal and firm's characteristics on entrepreneurs' democratic values and support for the government are also tested.

The competing hypotheses about Chinese capitalists in the literature leave the question of their democratic potential unresolved. Is the modernization theory valid and applicable in China? Do Chinese capitalists endorse democratic values and principles? In the literature describing Chinese private entrepreneurs' reluctance to demand democratization, formal and informal political ties to the state are emphasized, but these studies leave the exact impacts of political embeddedness on democratic values inadequately explored. This study joins the discussion by addressing these questions.

Democratic values of private entrepreneurs

In this part, private entrepreneurs are examined as to whether they are more or less likely to have democratic values than other social groups. The outcome variable is the endorsement of democratic values. It is different from the understanding of feasibility of democracy in China, or initiatives for democratization. In other words, the endorsement of democratic values is measuring whether a private entrepreneur finds democracy desirable, but not whether he thinks China should be a democracy, or whether he is likely to advocate or support a regime change. The latter two issues involve their judgments of the feasibility of democracy in China and their behavioral intentions. Their perceptions of the feasibility of democracy are discussed in the latter part of this study, while behavioral intentions are more difficult to predict. Current literature generally believes that Chinese private entrepreneurs are not going to push for democratic transitions; traditional wisdom also tells us that a wealthy middle class is always a force stabilizing society. But during political transitions, their support for the status quo could be withdrawn, so the

discussions of their perceptions of democracy, which would impact their shift, are more meaningful.

Compared to other strata in China, private entrepreneurs are believed to be more likely to find democracy desirable. First, capitalists have higher stakes in the government's policies; therefore they have a stronger desire to be represented in the decision-making process. For instance, they desire more input in economic regulation policies. In many circumstances, private entrepreneurs understand the necessities of regulation, but the undemocratic decision-making arouses complaints. An explicit example from the fieldwork is that recently the government has strictly limited the consumption of electricity by small-scale enterprises in order to raise energy consumption efficiency. Local government decides the upper limits of electricity consumption for enterprises with different scales. When the limit is reached, the relevant bureaucrats just cut the electric supply to the specific enterprise without a suitable cushion period for the enterprise to adjust its production plan. The small-scale enterprises wish their opinions could be taken into account before the government takes such actions. The non-democratic procedures of decision-making and policy implementation are often responsible for their losses. Facing many specific problems like this in their daily operations, the capitalists prefer a more democratic system with more participation, so that their interests could be better represented in the decisions of many policies, which directly affect their economic interests.

Second, the capitalist mode of production desires a free market and fair competition. The business environment in China does not really satisfy these requirements. SOEs still have a monopoly in some profitable industries. There's almost no tax revenues from private-sector financial firms or other state-dominated industries, which shows that

private enterprises could only develop in parts of the economy (China Daily December 18th, 2007). In terms of bank loans, although the situation is improving, it is still harder for private enterprises, especially those with small scales, to get loans from state-run banks. SOEs also enjoy the advantages of public financial support and all other kinds of policy benefits. When competing with foreign companies operating in China, local private enterprises are also at a disadvantage. Foreign enterprises enjoy various beneficial local policies because local governments are competing with each other to attract foreign investment. In a more democratic system, the business monopolies based on state power will decrease along with the distortion of the market by the state.

Third, private entrepreneurs have a stronger desire to protect their private property. Private enterprises have only developed quickly since the 1990s. In 1977, they were still illegal and negligible. From 1978 to 1983, the private sector was limited to individual businesses, which were strongly experimental and were intended to play a “marginal, stop-gap role”. After the 1990s, although the private economy has experienced a rapid expansion and the Property Law came into effect in 2007; without legal constraints and effective public monitoring of government behaviors, the credibility of the government's commitment in protecting the private economy is still problematic. The arbitrariness in decision-making and policy implementation leaves the private property under-protected. In recent years, predatory behaviors among local government officials have become widespread due to decentralization (Pei 2006). Local government officials enjoy the power of revenue raising and everyday economic decision-making, but face no effective monitoring from the public. Furthermore, due to the serious principal-agent problem, the monitoring capacity of the central government is also declining. Private entrepreneurs are the main targets of compulsory donations, irregular use of regulatory power and other

kinds of predatory behaviors of local officials. As a result, entrepreneurs should require rule of law and the power of supervision over government officials.

Finally, private entrepreneurs have higher political self-efficacy. Through their daily interactions with local officials, private entrepreneurs have a higher probability of getting first hand experience about how politics works at the local level than the working class. They are more likely to be exposed to the problems of the current system. Besides their direct political experience, the granting of more autonomy and economic resources should also provide them with higher political self-efficacy, which implies they have a greater confidence in their abilities of political participation.

Compared to capitalists, other groups such as the middle and working classes are probably in significantly different positions. The groups defined as middle class, include professionals, low-level civil servants and managers in SOEs or foreign companies. They are diverse in terms of their occupations, backgrounds as well as political attitudes. Civil servants and managers in SOEs are more likely to be conservative, and foreign companies' employees are more likely to be political apathetic. For the middle class as a whole, their material interests are not affected by the government policies as directly as private entrepreneurs', and their incentives for establishing a fully institutionalized free market are not as strong as private entrepreneurs'.

According to recent studies (Perry 2007, Li 2010), the political attitudes of the working class in China - namely the peasants and workers - are not very clear. Although "rights defense activities" initiated by ordinary workers and peasants have become widespread in China in recent years, scholars disagree with each other on whether these activities (such as petition and demonstration) are demonstrating rights consciousness or just rule consciousness of Chinese people. Perry (2007, 2008 and 2009) believes that

popular contention is driven by rule consciousness rather than rights consciousness, and imposes no major challenge to the current Party-state. However, through deep analyses of the public and private announcements and activities of some workers participating in demonstration and some peasants engaging in petition, Li (2010) finds that there are clues implying that it is problematic to conclude that Chinese ordinary people only have rule consciousness but no rights consciousness. However, despite the disagreement, over whether the working class has rights consciousness or not, there is still a distance between their consciousness of rights and the consciousness of democratic rules to protect their rights. Also, the rights that ordinary people have most likely realized are their economic rights but not their fundamental political rights of political participation and public monitoring of political power.

Empirical testing of the democratic values of private entrepreneurs

The data used in the quantitative analyses is the 2006 Chinese General Social Survey, which has a multistage stratified national probability sample of 10151 adults aged 22 to 74 from all regions of China (except Tibet, Qinghai and Ningxia provinces). Samples from rural and urban areas were drawn separately, yielding 4,138 rural cases and 6,013 urban cases. This survey is conducted jointly by the Survey Research Center in Hong Kong University of Science and Technology and the sociology department of the People's University of China and is led by Professor Bian Yanjie and Professor Li Lulu. It covers questions about values and attitudes, which are used in this analysis.

Six items from the questionnaire are selected to measure democratic values. These items are consistent with the general definition of democratic values in empirical studies. Gibson (1996) and his associates define democratic citizens as ones “who believe in

individual liberty and who are politically tolerant, ... who are obedient but nonetheless willing to assert rights against the state, who view the state as constrained by legality, and who support basic democratic institutions and processes''. Nathan and Shi (1993) were the first to attempt a study of the democratic orientations of Chinese people. They measured the support for democratic values from three dimensions: government saliency, political efficacy and political tolerance. The items selected in this study measure respondents' desire for political participation, rule of law, and a sense of individual sovereignty.

Table 1 demonstrates the distributions of the endorsement of democratic values among private entrepreneurs, the non-entrepreneurial middle class and working class. Respondents are asked whether they agree or disagree with the statements in the questionnaire. Four answers are available: strongly agree, agree, disagree and strongly disagree. Each question is recoded into a binary variable, with the value 1 indicating pro-democratic values. The percentages in the Table 1 are the percentages of people among these three groups who are pro democratic in terms of each question.

In the quantitative analyses, the items measuring desires for political participation and rule of law are combined separately to form two additive indexes, ranging from 2 (indicating not pro-democracy) to 8 (indicating pro-democracy). The other two items are analyzed as binary variables, applying a Logit regression model. Logit analysis is also applied to Item 2 (chances for direct elections of Mayors), which explicitly expresses the support for democratic process.

Table 1 Democratic values among private entrepreneurs, non-entrepreneurial middle class and working class, CGSS2006

Items	Pro-democratic (%)		
	Private entrepreneurs	Non-entre middle	Working class
<i>Political participation</i>			
1. I know what is happening in my community; it is my right to participate in the public affairs (Agree).	79.33	76.12	73.65
2. There should be chances to have direct elections of mayors. (Agree)	48.00	42.31	39.56
<i>Rule of law</i>			
3. When government decisions are not consistent with the law, government decisions should have priority over law. (Disagree)	38.53	39.95	33.48
4. Law only functions properly with the government's strong support and cooperation. (Disagree)	16.37	16.78	13.31
<i>Other</i>			
5. It is always right to obey the government. (Disagree)	40.64	40.8	32.83
6. It is not necessary to enhance democracy if the economy could maintain stable development (Disagree)	65.27	63.09	51.40
Observations (6,700)	167	905	5,628

It requires employing more than eight people to be a private enterprise; otherwise it is called an “individual business”. Accordingly, people who own private enterprises and employ more than eight people are defined as private entrepreneurs in this analysis. The other two groups are defined according to their occupations. The non-entrepreneurial middle class contains the managers in state-owned and foreign enterprises, employees in government and public agencies, professionals and intellectuals who do not own enterprises. Working class refers to office clerks, skilled and unskilled workers, self-employed and farmers. Table 2 describes the distribution of the three groups in CGSS 2006. The percentage of private entrepreneurs is relatively small, but in a national probability sample, this low percentage is reasonable.

Table 2: Distribution of private entrepreneurs, non-entrepreneurial middle class and working class, CGSS 2006

	Percentage%	No.
Private entrepreneur (base group)	2.49	167
Non-entrepreneurial middle class	13.51	905
Working class	84.00	5,628
Total	100	6,700

Previous studies (Chen & Dickson 2008, 2010) emphasize the importance of the political embeddedness of private entrepreneurs in influencing their political attitudes. Political connections with the state are assumed to be important predictors of individuals' democratic values. In this test, political connection is simply measured by whether they are CCP members or not. For ordinary people, CCP party membership is a major way for them to gain political education, and they will probably form political attitudes accordingly. Party branches are required to regularly organize ideological education among members, and the central leaders will occasionally propose intensive national campaigns for party members to study the "spirit" of the Center. These activities and campaigns aim at keeping the minds of party members consistent with the Party. Therefore CCP members are assumed to be less likely to have democratic values.

Those working in the public sector are also educated by the state in formal or informal ways. People working in government agencies, SOEs and public institutions are also objects of regular political propaganda. They are under tighter control by the state ideologically than people working in the private sector or those who are self-employed. The occupational sector is controlled in this test. People working in the public sector are supposed to be less likely to find democracy desirable than others.

Formal political participation and family background are other factors believed to influence individuals' democratic values. The variables included in this analysis are

whether or not the respondent participated in the recent local election and the respondent's father's party membership. The voting behavior in China is perceived as an expression of support for the current system, so people who voted in local elections are supposed to be less supportive of democratic values. Respondents with a father as a CCP member are more likely to be influenced by orthodox communist ideology and subsequently less likely to have democratic values.

Some studies point out that various local conditions in terms of economic development and political context are also influential on people's attitudes to democracy. In this study, two variables are included to control regional effects: a variable indicating the eastern, central or western part of China and the proportion of employees employed in private sector at the provincial level. The division among eastern, central and western China generally controls the level of social development, and the provincial percentage of employees in the private sector accounts for the contribution of the private sector to the local economy. Some other variables measuring personal socio-demographic features are included in the test: educational attainment, gender, age, rural or urban *hukou* status and logged annual household income. The summary statistics of the control variables in the dataset CGSS 2006 can be found in table 9 in the Appendix.

The results of the data analysis are presented in table 3. According to the results, the Chinese private entrepreneurs are generally more likely to endorse democratic values than the other two groups, with relevant political, regional and demographic effects controlled. The ordinary least squares (OLS) estimates of the two additive indexes of desires for political participation and rule of law are consistent with the results of maximum likelihood estimation. The results are consistent across models. In the dimension of political participation, the non-entrepreneurial middle class and working

class are both less likely than private entrepreneurs to express desire for political participation. The stronger support for political participation of private entrepreneurs is probably a demonstration of their higher stakes in government decisions than the other two groups. While in terms of desire for rule of law, there is no significant difference between private entrepreneurs and the non-entrepreneurial middle class in this sample; the working classes are significantly less likely to have the value of rule of law. It is plausible that the occupational differences between private entrepreneurs and the non-entrepreneurial middle class do not influence their values of rule of law significantly.

According to the other three models, where single indicators measure democratic values, the other two groups are also less likely to demonstrate democratic values than private entrepreneurs. The results from model 3 show that the probability for the non-entrepreneurial middle class to support direct election is smaller than the probability of private entrepreneurs by 31.3 percentage points, and for the working class, the probability of supporting direct election is 40.5 percentage points smaller, holding other variables equal. As measured by individual sovereignty, the attitudes among private entrepreneurs and the non-entrepreneurial middle class are not significantly different in this sample. The single indicator measurement may be responsible for the result. However, private entrepreneurs are still more likely to support individual sovereignty than the working class. Estimates of model 4 suggests that the probability of working class people to realize individual sovereignty is smaller than for private entrepreneurs by 32.9 percentage points, with other factors controlled. The results of model 5 are consistent with other models, and demonstrate that private entrepreneurs are more likely to support democratic development even with a stable growth of economy than the non-entrepreneurial middle class by 31.6 percentage points, and the working class by 38.2 percentage points.

Table 3 Results of comparing democratic values of Private Entrepreneurs with non-entrepreneurial middle class and working class, CGSS 2006

Variables	OLS		Logit (MLE)		
	(Model 1) Political participation	(Model 2) Rule of law	(Model 3) Direct election	(Model 4) Individual sovereignty	(Model 5) Enhance democracy
<i>Social strata (base group: private entrepreneurs)</i>					
Non-entre middle class	-.090** (.043)	-.037 (.035)	-.375** (.182)	-.179 (.206)	-.380** (.189)
Working class	-.125*** (.039)	-.072** (.032)	-.519*** (.166)	-.399** (.186)	-.481*** (.173)
CCP membership (yes=1)	.061*** (.022)	.002 (.018)	.255*** (.092)	.013 (.115)	.198** (.094)
<i>Occupational sector (base group: private sector)</i>					
Public owned business	.010 (.027)	-.031 (.022)	.044 (.114)	-.195 (.138)	.180 (.115)
Government agency	.100** (.044)	-.042 (.036)	.422** (.193)	-.268 (.237)	.456** (.198)
Public institution	-.071 (.052)	.019 (.042)	-.299 (.225)	.119 (.260)	.037 (.222)
Self-employed / farmer	-.044* (.026)	-.006 (.021)	-.186* (.112)	-.033 (.135)	-.034 (.112)
Vote in the recent election	.015 (.013)	-.024** (.011)	.065 (.057)	-.162** (.071)	.079 (.056)
Father's CCP membership	.086*** (.021)	.001 (.017)	.360*** (.089)	.008 (.110)	.259*** (.092)
<i>Region (base group: eastern)</i>					
Central	-.027 (.017)	.011 (.014)	-.120 (.074)	.070 (.092)	-.288*** (.073)
Western	-.059*** (.019)	-.038** (.015)	-.259*** (.082)	-.243** (.099)	-.617*** (.081)
Employees in private sector (provincial %)	.001 (.001)	.001 (.001)	.002 (.003)	.003 (.004)	.001 (.003)
<i>Educational attainment (base group: lower than elementary)</i>					
Elementary	.002 (.025)	-.021 (.020)	.024 (.112)	-.132 (.128)	-.096 (.104)
Junior Secondary	.027 (.025)	-.036* (.020)	.136 (.112)	-.237* (.130)	.040 (.105)
Senior Secondary	.024 (.028)	-.022 (.023)	.123 (.125)	-.139 (.146)	-.024 (.119)
Post Secondary	.117*** (.035)	-.008 (.028)	.506*** (.153)	-.057 (.181)	.112 (.150)
Female	-.065*** (.012)	-.021** (.010)	-.282*** (.053)	-.139** (.065)	-.157*** (.052)
Age	-.001* (.000)	-.001 (.000)	-.004* (.002)	-.003 (.003)	-.011*** (.002)
Rural	-.063*** (.017)	-.007 (.014)	-.272*** (.072)	-.043 (.088)	-.342*** (.071)
Annual household income (Logged)	.000 (.008)	.003 (.006)	.002 (.033)	.021 (.040)	-.030 (.033)
Constant	.627*** (.103)	.291*** (.083)	.526 (.447)	-.874 (.534)	1.748*** (.441)
Observations	6,700	6,700	6,700	6,700	6,700
R-squared	.053	.006			

Notes: Robust standard errors in parentheses, *** p<.01, ** p<.05, * p<.1

In summary, private entrepreneurs are more likely to have democratic values than the non-entrepreneurial middle class and working class in China, with other factors being controlled. The next question to consider is why private entrepreneurs are the relatively more democratic social group in Chinese society. According to existing literature, due to their formal and informal political connections with the government, they are believed as being conservative and sharing views on key political issues with government officials. Indeed, establishing and maintaining various connections with government officials to resolve problems is a common practice among Chinese private entrepreneurs. Why then are the more commonly politically embedded private entrepreneurs more likely to demonstrate democratic values than other social groups? What are the effects of political embeddedness on democratic values and attitudes toward the current government among private entrepreneurs? The following part examines these questions.

Political embeddedness, democratic values and government support

Drawing on the survey data collected from Chinese private entrepreneurs by Jie Chen and Bruce Dickson, this part examines how embeddedness affects private entrepreneurs' attitudes toward democracy and the current government. Are politically embedded entrepreneurs more likely to support the government, and less likely to have democratic values? By differentiating between political connections gained before and after commencing business, the model is supposed to be able to test the possible spurious relationship between political embeddedness and attitudes, in which case, embeddedness and attitudes can both be explained by private entrepreneurs' political background before entering businesses. It also explores whether the allocation of financial resources as state-run bank loans is a possible mediating channel for embeddedness to have its effects.

Data and Methods

Data used in this part from a survey of Chinese private entrepreneurs has been kindly given by Jie Chen and Bruce Dickson. They conducted this survey in five coastal provinces in China where the private sector is most developed: Shandong, Jiangsu, Zhejiang, Fujian, and Guangdong. The survey was taken between late 2006 and early 2007. The following is the introduction to the sampling procedure of the survey in their book (2010, 165-166):

The sample was designed to capture firms of different sizes and types of operations, and in areas of different levels of development. Respondents were selected with a multistage random sampling technique. In the first stage, all county-level units within each province were stratified into three levels – high, medium, and low – according to their levels of economic development measured by per capita GDP. Counties were randomly selected from each level of economic development in each province, using the probability proportional to size (PPS) technique...a total of forty counties were selected: fourteen, twelve, and fourteen counties, respectively, from high, medium, and low levels of economic development. In the second stage, the registered private enterprises within each selected county were grouped into industrial / commercial sectors (e.g., manufacturing, transportation, retail, and food service), and then enterprises were randomly chosen from each sector with probability of selection proportional to the size of the sector. There were 2,300 enterprises selected and either the owner or one of the major investors of each selected enterprise was interviewed. A total of 2,071 questionnaires were completed, with a response rate of 90 percent...this sample was representative of various economic development levels, diverse industrial / economic sectors, and different sized firms.

Structure equation modeling (SEM) is applied in data analyses. First, confirmatory factor analysis is used to construct the latent variables of political embeddedness, democratic

values and governmental support. Then a path model is applied to examine their relationships.

Outcome Variables: democratic values and attitudes toward the government

The endorsement of democratic values is measured in consistency with the definition and measurement specified in the former part. The latent endorsement of democratic values is constructed using five indicators, which Chen and Dickson (2010, 77) used to form an additive index as the measurement of democratic support in their book.

Respondents were asked about their opinions toward the following items indicating individuals' support for multiparty competition and individual liberty and sovereignty, with five choices available ranging from "strongly agree" to "strongly disagree". Table 4 presents the distribution of these items.

Table 4 Distribution of democratic values among private entrepreneurs

Items	Strongly agree %	Agree %	Neither agree nor disagree %	Disagree %	Strongly disagree %	N
Government leaders are like heads of family, and their decisions should be obeyed	6.18	29.41	24.54	32.81	7.06	2,054
If a country has multiple parties, it can lead to political chaos	10.33	30.02	31.28	25.46	2.91	2,062
A one-party system promotes economic, social, and political development, and is most suitable to China	15.17	44.89	26.71	11.29	1.94	2,063
Public demonstrations can easily turn into social disturbances and impact social stability and should be forbidden	20.39	39.85	22.47	15.59	1.69	2,065
Forming various kinds of nongovernmental organizations can easily damage social stability	12.39	27.16	28.57	28.04	3.84	2,058

Disagreement with these items indicates having democratic values. Chinese private entrepreneurs are fairly democratically minded. Around 30% of them explicitly express their disagreement with these items, and if we consider the expression of "neither agree

nor disagree” as implicit disagreement due to the limited freedom of speech in China, the majority of entrepreneurs disagree with these items to a certain extent. The result of the confirmatory factor analysis shows that the five questions constitute a single latent construct. Standardized factor loadings can be found in table 10 in the Appendix.

The effect of political embeddedness on private entrepreneurs’ attitudes toward the Chinese government is another dimension this part examines. Since there are few items measuring their attitudes toward the fundamental political system in China, this study measures entrepreneurs’ support for the government using their satisfactions of the government’s performance in various policy dimensions, the specific support conceptualized by Easton (1965, 1975). Specific support, distinct from diffuse support, measures a person’s satisfaction with the policies and performance of the government. The object of specific support is not the fundamental values and norms, but the specific authorities, including the political leadership, policy outcomes and the overall performance of the government.

Given the circumstances in China, specific support is a more valid measurement because diffuse support could be easily inflated in survey results. Under an authoritarian regime, people do not feel comfortable to honestly express their opinions toward the fundamental political system and principles ruling the country. In addition, many scholars believe that there is a wide deficiency in identity with the regime per se. Most Chinese understand that what is happening in China is not socialism, and after the extreme trust in socialism and resulted Cultural Revolution during Mao’s period, socialism is no longer attractive to Chinese people. The economic reform has turned the whole of society towards pragmatism rather than caring about fundamental norms. The legitimacy of the Chinese government is largely based on the economic development, provision of social

welfare, and other key services of the government (He 2003). Therefore for a performance-based government like China, specific support is essential to the regime. Six items are used to construct the latent support for the government among private entrepreneurs (see Table 5).

Table 5 Evaluation of government's performance in various policy areas among private entrepreneurs

Policy areas	Very poor %	Poor %	Fair %	Good %	Very good %	N
Providing job security	2.81	11.92	48.06	33.91	3.29	2,064
Narrowing the gap between rich and poor	7.27	24.98	43.55	21.92	2.28	2,062
Improving housing conditions	2.53	13.19	44.04	34.74	5.50	2,055
Maintaining social order	3.57	12.51	32.05	44.21	7.67	2,047
Providing adequate medical care	6.34	20.20	41.61	28.39	3.46	2,050
Providing welfare to the needy	2.98	13.46	46.78	32.78	4.00	2,050

Support for the government among Chinese private entrepreneurs is not as high as predicted by studies emphasizing their conservativeness, at least measured by satisfaction of government's performance. Only around one third of entrepreneurs consider that the government has done a good job in each policy area, except for a higher level of satisfaction in the dimension of maintaining social order. Others are dissatisfied with the government's performance in these policy dimensions to a certain extent. Although dissatisfaction does not necessarily mean willingness to change, it does reduce the regime's appeal to private entrepreneurs. Confirmatory factor analysis supports the idea that the six questions are indicating a single latent factor (see table 10 in the Appendix).

Explanatory Variable: political embeddedness

The explanatory variable is political embeddedness, which is the key factor emphasized in recent studies trying to understand the conservativeness of private entrepreneurs. They argue that the CCP uses a corporatist strategy to cooperate with wealthy private entrepreneurs, and the latter enjoy the benefits of close ties with the state.

By pointing out the connections between entrepreneurs and the state, either personal or institutional, these studies conclude that entrepreneurs share political values with government officials, and are not likely to demand democratic reforms (Dickson 2003, Tsai 2005, Pearson 1997).

In previous studies, political embeddedness is measured by CCP party membership, access to government positions and membership in officially sponsored business associations (Chen & Dickson 2010). The CCP is still considered a key political institution that entrepreneurs can be co-opted into. The party remains the entry point for access to political connections. This paper also uses CCP membership as a key indicator of political embeddedness. In this data, entrepreneurs were classified as CCP members (36.96%), members in the eight Chinese democratic parties (2.46%), and entrepreneurs with no party membership (60.56%).

Another important indicator of embeddedness is entrepreneurs' access to government posts, especially in people's congresses and political consultative conferences. Given the fact that almost all candidates and all elected deputies in these government bodies have been scrutinized and approved by the party, the entrepreneurs with government jobs are the ones trusted by the state and enjoying close political connections. In this study, position in people's congresses is used as an indicator. Respondents were asked whether they had been appointed as delegates in various levels of people's congresses.

Table 6 Have you been appointed as delegates in people's congresses?

Never	Township level	County level	Prefectural level	Provincial level	National level	N
80.60%	6.76%	9.03%	3.23%	.29%	.10%	2,071

A third indicator of embeddedness is whether there is a party organization in the private enterprise. Private enterprises are not required to build party organizations. The

party does not firmly control ideology in private sector. Pearson (1997) referred to this autonomy as structural independence. The entrepreneurs closely embedded into the system will build or be required to build party organizations in their enterprises. In the data considered here, 30.66% of 2,071 enterprises have party organizations. Confirmatory factor analysis shows that the three indicators are reliable and constitute a single factor, political embeddedness (see table 10 in the Appendix).

Mediator Variable: access to state-run bank loans

The economic benefits of political embeddedness are assumed to influence the political attitudes of private entrepreneurs. It has been agreed that political embeddedness not only conveys political privileges, but also signifies economic opportunities, such as fewer arbitrary regulations, less predatory behavior by local officials, access to state-run bank loans and policy information. All these bring enterprises economic benefits. As presented in Chen and Dickson's study, the data shows that politically embedded capitalists do operate enterprises with better performance. Do the economic benefits along with political embeddedness have impacts on entrepreneurs' attitudes toward democracy and the current government? Limited by the data, the indicator of whether the enterprise has gained state-run bank loans is the only variable that can capture the benefits of political embeddedness. Thus besides the indirect effects through this single hypothetical mediator variable, political embeddedness should still have direct effects on government support and democratic values. In the present sample, 31.76% of 2,071 entrepreneurs have gained loans from state-run banks.

Three hypotheses can be formulated based on the former discussion. First, political embeddedness should facilitate access to state-run bank loans. Second, entrepreneurs who have gained concrete economic benefits should have positive attitudes toward the

government, but negative attitudes toward democracy. Third, besides the indirect effects through access to bank loans, political embeddedness should also have direct effects on government support and democratic desirability. The former effect is assumed to be positive, while the latter negative.

Control variables: political background, firm and individual characteristics

This test includes three groups of control variables, political background, firm's characteristics and demographic features. As emphasized by Kellee Tsai (2005), personal background is important in influencing private entrepreneurs' values and should be taken into account. Political background is measured in five ways. Respondents were asked, before businesses, whether they were government officials and the levels of their positions, whether they were SOE employees and the types of jobs done, whether they served as village cadres and whether they were veterans. The other measurement is whether the entrepreneur entered the CCP before having an enterprise. Former officials, SOE employees, village cadres, veterans and CCP members before businesses are supposed to be conservative because of their previous experiences. No matter whether they are currently politically embedded or not, they are supposed to be more likely to support the government than others. So these five background variables are assumed to have direct negative effects on democratic desirability and direct positive effects on government support.

Former government officials, SOE employees, village cadres and veterans had various levels of political connections to the state before they started enterprises. These connections were not necessarily cut after they entered businesses. Instead, these connections would facilitate the entrepreneurs to build new ties. Also those who joined the CCP before becoming entrepreneurs were more likely to be selected into the political

system. Therefore these five background variables are measuring the inherited political capital of entrepreneurs to a certain extent, and that should affect their current level of political embeddedness. So these five variables are assumed to have positive effects on political embeddedness. With this specification, this model is able to test whether political embeddedness still has independent impacts on democratic desirability and government support, with the effects of political background controlled.

Former political background also creates closer personal connections that cannot be captured by formal and institutional embeddedness. These personal connections can also facilitate entrepreneurs' access to economic benefits, and thus affect their attitudes. David Wank (2002) found that entrepreneurs who were formerly officials had an advantage of knowing government officials and operation procedures and hence tended to have a smoother experience getting things done. Therefore access to state-run bank loans could also be an indicator for the effects of informal personal ties resulting from political background on entrepreneurs' attitudes. The five political background variables are assumed to have positive effects on access to state-run bank loans.

Firm's characteristics are measured in five ways. Number of employees measures the size of an enterprise. Annual net profit after tax in ten thousand yuan in 2005 measures the profitability of an enterprise. The percentage of annual earnings gained from businesses within the local province indicates the importance of local businesses to an enterprise, and the percentage of earnings from exports measures the extent of foreign connections to an enterprise. The fifth variable of firm characteristics is whether it is a former SOE or collective enterprise. These five variables are all assumed to affect entrepreneurs' political embeddedness, access to bank loans, and attitudes toward democracy and the government.

The private entrepreneurs with bigger and more profitable firms are more likely to have close political ties, either because the state's corporatist strategy is to recruit the most influential entrepreneurs, or because these entrepreneurs have more resources with which to co-operate with the state. With closer political connections, they are supposed to be more conservative. They are also more likely to gain bank loans. Connections with local government officials are more important to entrepreneurs relying on local businesses, while enterprises relying on exports may have less political connections for they deal with foreign companies directly. With more foreign connections, they are more likely to be influenced by foreign business styles, and have more liberal views. Enterprises bought from former SOEs inherited political connections as legacies and the entrepreneurs who buy these former SOEs are supposed to be more politically embedded and ideologically conservative.

Three demographic features, i.e., gender, age, and education are included and assumed to affect all endogenous variables, political embeddedness, access to state-run bank loans, democratic desirability and government support. Summary statistics of the control variables can be found in table 11 in the Appendix.

Model and Results

The model constructed based on the hypotheses proposed above is presented in Figure 1. Exogenous variables listed in the rectangular box on the left-hand side of Figure 1 are allowed to affect all endogenous variables on the right-hand side. Political background variables are used to test whether the relations between political embeddedness and attitudes toward democracy and the government are spurious, in which case, political embeddedness and conservative values could both be explained by political background. Private entrepreneurs' political embeddedness is assumed to affect

their access to state-run bank loans, which is supposed to create support for the current government and induce negative attitudes toward democracy. Political embeddedness is assumed to still have direct effects on democratic desirability and government support, because there could be some other mechanisms, such as personal friendship, frequent communications, and economic benefits besides access to bank loans, for political connections to affect entrepreneurs' values. There is assumed to be a mutually influencing relationship between democratic desirability and government support, but the complex recursive model makes the Amos software crash, so only the effect of democratic desirability on government support is predicted in this model. This estimation could give us some sense of the relationship between these two dimensions, but not the exact effect of one variable on the other one.

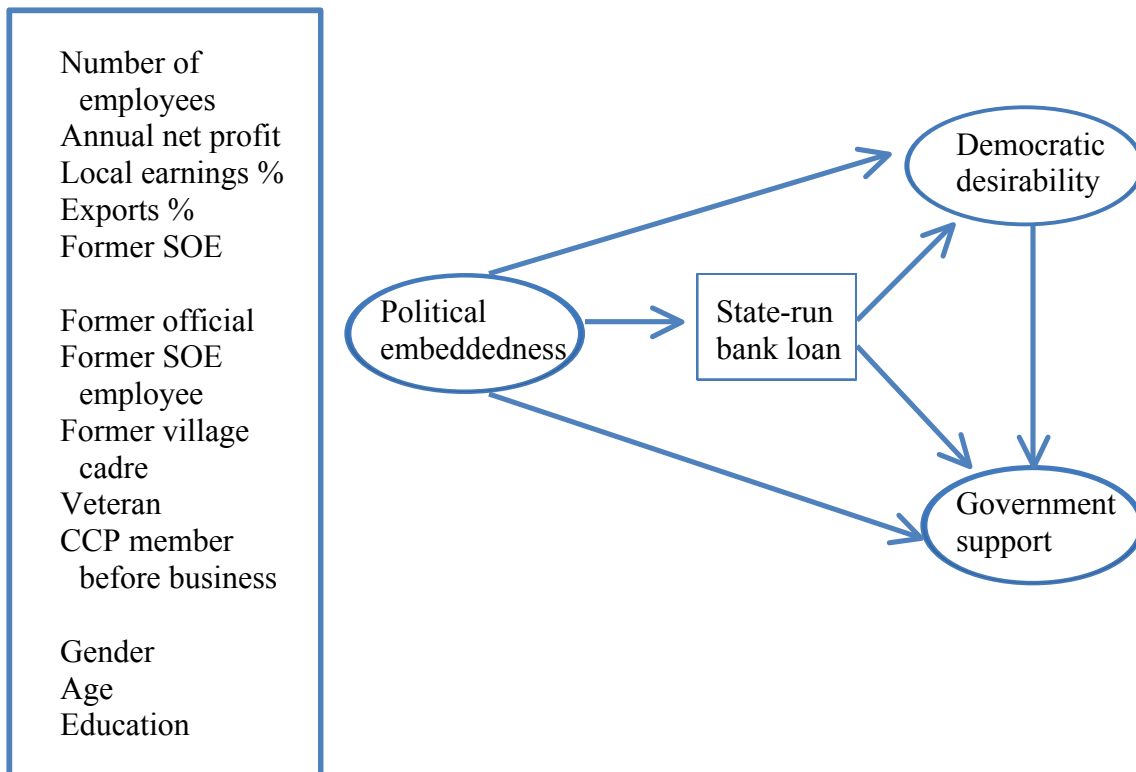


Figure 1: path model based on proposed hypotheses. Exogenous variables in the rectangular box are allowed to influence all the variables on the right hand side.

This model is not a perfect fit on the data. The chi-squared statistic is 892 with 271 degrees of freedom, which indicates an imperfect fit ($p < .000$). However, based on three other model fit indexes - Comparative Fit Index (CFI = .951), Tucker-Lewis Index (TLI = .930), and Root Mean Square Error of Approximation (RMSEA = .033) - this model is a close approximate fit on the data, and can be used to test hypotheses. The results of data analyses are presented in table 7.

Table 7 Results of the SEM model						
Outcome variables	Democratic desirability			Government support		
Independent variables			Standardized			Standardized
	Estimate	S.E.	Estimate	Estimate	S.E.	Estimate
Political embeddedness	-.047	.029	-.063	.112***	.030	.137
State-run bank loan	-.063	.037	-.045	.005	.036	.003
Former official	-.022	.052	-.011	-.076	.051	-.037
Former SOE employee	.057	.036	.043	.010	.035	.007
Former village cadre	-.048	.069	-.019	.107	.068	.038
Veteran	.019	.076	.007	.090	.074	.029
CCP member before business	.049	.057	.030	-.116*	.056	-.064
Former SOE	-.029	.039	-.020	.015	.038	.010
Number of employees	.000	.000	.000	.000	.000	-.005
Annual net profit	.000	.000	.034	.000**	.000	.079
Local earning %	.001	.001	.031	-.002**	.001	-.096
Exports %	.000	.001	-.021	-.002**	.001	-.102
Gender (female=1)	-.128*	.053	-.063	-.060	.052	-.027
Age	.001	.002	.008	.001	.002	.010
Education	.017*	.007	.070	.004	.007	.015
Democratic desirability				-.374***	.032	-.345
			Political embeddedness	State-run bank loan		
Independent variables			Standardized			Standardized
	Estimate	S.E.	Estimate	Estimate	S.E.	Estimate
Political embeddedness				.038*	.018	.070
Former official	.201***	.046	.079	.048	.031	.035
Former SOE employee	.162***	.032	.093	.040	.022	.043
Former village cadre	.452***	.061	.133	-.069	.042	-.038
Veteran	.199**	.068	.052	.011	.046	.006
CCP member before business	1.189***	.042	.540	-.003	.034	-.002
Former SOE	.132***	.034	.070	-.006	.023	-.006
Number of employees	.000**	.000	.060	.000	.000	.004
Annual net profit	.000**	.000	.061	.000**	.000	.074
Local earning %	-.003***	.001	-.151	.000	.000	-.031
Exports %	-.003***	.001	-.118	.001	.000	.056
Gender (female=1)	-.070	.047	-.026	.021	.032	.014
Age	-.013***	.002	-.119	-.002	.001	-.034
Education	.018**	.006	.056	.009*	.004	.052
Model fit indexes	CFI = .951 TLI = .930 RMSEA = .033					

Notes: *** $p < .001$, ** $p < .01$, * $p < .05$

According to the results, four general findings could be interpreted. First, contrary to former understandings, but consistent with the results in the former part of this study, political embeddedness does not have significant impacts on democratic desirability, either directly or indirectly. Private entrepreneurs with a higher level of political embeddedness do not significantly dislike democracy more than other entrepreneurs. Therefore, although they are widely embedded into the political system, they are still more likely to endorse democratic values than other social groups.

Second, while political embeddedness does not affect democratic values significantly, it does give rise to government support among private entrepreneurs. Politically embedded entrepreneurs are significantly more likely to support the current government. This result is contrary to the finding by Chen & Dickson (2008). They found “only red capitalists who were former cadres were reliable supporters of the government”, political embeddedness “did not create support for the regime”. However, according to this study, former government officials, SOE employees, village cadres and veterans are all not significantly more likely to support the government. Background variables only have indirect positive effects on government support by increasing level of political embeddedness. In addition, entrepreneurs who were CCP members before they started businesses are less likely to be satisfied with the performance of the current government, probably because they are more likely to be demanding of the state. Entrepreneurs making more profits are more likely to be satisfied with the government. All else being equal, one standard deviation increase in the annual net profit of an enterprise will increase the entrepreneur’s support for the government by .079 units. Higher level of dependence on local business and exports both decrease the entrepreneurs’ support for the government.

Third, political background is not the reason for the result that political embeddedness does not have significant impacts on democratic values. Although political background is very important in enhancing political embeddedness, none of these five background variables has significant impacts on democratic values. Former government officials, former SOE employees, former village cadres, veterans, and CCP members before businesses are all more likely to currently be politically embedded. But it turns out entrepreneurs with political connections before businesses do not necessarily have more negative values toward democracy than others. Democratic desirability couldn't be explained by firm's characteristics either. Only education and gender could meaningfully predict democratic values.

Lastly, access to state-run bank loans is not a mediating mechanism between political embeddedness and attitudes toward democracy and the current government. Politically embedded entrepreneurs are more likely to gain state-run bank loans, but access to bank loans neither create support for the government nor decrease support for democratic values. As a result, political embeddedness does not have indirect effects on democratic values through access to bank loans. Since there are no significant direct impacts either, according to this result, political embeddedness does not influence democratic values. As to attitudes toward the current government, it is likely that economic benefits from political embeddedness can't be adequately captured by access to bank loans, so the effects of economic benefits are likely included in the significant direct effects of political embeddedness on government support.

In sum, political embeddedness is not found as having significant impacts on private entrepreneurs' democratic values. Therefore as a social group, despite having widespread political connections, private entrepreneurs are more likely to demonstrate democratic

values than other social groups. It turns out that private entrepreneurs' democratic values are also relatively independent from the influences of former political background and their firms' characteristics. The formation of their democratic values is not very clear. The plausible reasons for their endorsement of democratic values are specified in the argument that they have higher stakes in government decisions, a stronger desire for free competition and private property protection.

On the other hand, political embeddedness does increase support for the current government among private entrepreneurs. It seems that endorsement of democratic values is not necessarily conflicting with support for the current government. Politically embedded entrepreneurs would become more supportive for the government, but leave their democratic values unaffected. To better understand a private entrepreneur's political attitudes, their views on democracy and the current government should be considered together as these two dimensions are not necessarily contradictory. In the following part, in-depth interviews with private entrepreneurs in Zhejiang province help to provide a better understanding of their political views.

Feasibility of democracy and conservativeness of private entrepreneurs

The previous parts have shown the general patterns of private entrepreneurs' democratic values. They are more likely to have democratic values than other social groups, and political embeddedness does not significantly influence their democratic values. To get a more detailed and comprehensive picture of private entrepreneurs' minds, personal interviews with private entrepreneurs in Zhejiang province were conducted in winter 2010. The interviewees were from various industries, such as garment, jewelry, garden tools, real estate etc. and owned different sizes of businesses with some having

less than ten employees, while others had thousands. They also had different levels of education and diverse family backgrounds. For example, one entrepreneur is the son of a former deputy Mayor, while others are children of poor peasants. In terms of political embeddedness, entrepreneurs with different levels of embeddedness were covered, from deputies in the national and local people's congresses to village cadres. A list of the interviewees is presented in table 12 in the Appendix.

Taking the entrepreneurs' attitudes toward democracy and the current government together for consideration provides a much clearer picture of their political attitudes. Entrepreneurs who find democracy desirable tend to argue that democracy is not feasible in China. Based on the thoughts offered by the interviewees, a typology of entrepreneurs is proposed according to the two dimensions of their attitudes: democratic values and government support (table 8). A deep analysis of these four groups could help to get a more detailed and comprehensive understanding of Chinese private entrepreneurs and their perceptions of the desirability and feasibility of democracy in China. From the outset, it should be mentioned that all entrepreneurs interviewed are local people in Zhejiang province. They were born there and most of them conduct their businesses mainly in Zhejiang, so the impact of the local economic and political conditions on their opinions should not be neglected. Although it is inappropriate to generalize their attitudes to the whole country, the meaningful insights provided by them still have a certain degree of representation, given the variations in their firm and personal characteristics.

Table 8 A typology of private entrepreneurs' political attitudes

		Attitudes toward democracy	
		Negative	Positive
Attitudes toward government	Negative	I Pessimistic (negative, negative)	II Democratic support (negative, positive)
	Positive	III Regime support (positive, negative)	IV Optimistic (positive, positive)

The first group of entrepreneurs has negative attitudes toward both democracy and the current regime. They do not consider democracy a better alternative and are particularly unimpressed by the “bad” performance of the democracy in Taiwan. That democracy could lead to slower economic growth, possible chaos and even political violence, and lower government capacities are the common reasons given. Moreover, some capitalists do not believe that under democracy their interests could be better represented. As a capitalist who produces garden tools for export told me, "even under democracy, no matter who wins the election, policies will not change a lot; interests of ordinary people can not be really represented. Policies won't be better or worse; they are always beneficial for someone, and harmful for the others. Democracy will not make a difference."

Despite their negative assessment of democracy, they do not support the current regime either. They criticize all the drawbacks of the current system - the abuse of power, violation of individual rights and corruption. They realize one Party rule is the essential cause of these problems, but do not think that democracy is an effective alternative to solve these problems. As a result, their strategy is to try to figure out how to live with the current situation, maximizing their economic interests, and avoiding involvement in politics.

The second group is different from the first type in assessing democracy. They endorse democratic values and have negative judgments of the current government. They consider democracy a good regime type and complain about the current political system, under which their political rights and freedom cannot be assured, with no effective constraint on political power. They are clearly aware of how democracy operates in western countries, and aware of their personal rights, even the fundamental political rights in determining government, and have high expectations of rule of law. They are also clear about the flaws in the current regime, like the political injustice, useless elections and so on.

Then why do not they advocate democracy in China? In fact, this group of capitalists also takes the strategy of avoiding politics, due to their concern of the feasibility of democracy. Among this group, facing Chinese political reality, they provide three different perspectives about the infeasibility of democracy in China. The first subgroup believes that it is simply impossible to displace the CCP. Someone with an experience of collective petition told me it was useless to argue with the government, so gradually they tend to be politically apathetic and focus on their own businesses. The second subgroup considers that it is impossible for one or two entrepreneurs to make a change. They have to observe the wider atmosphere to make a judgment. One capitalist running a clothing enterprise with more than 500 workers who is a delegate in the local people's congress told me that as a delegate he can only provide a few negligible suggestions and cast a few meaningless votes. In order to make real changes, he has to rely on the whole strength of the private economy and the strategies taken by other entrepreneurs. The third subgroup considers democracy infeasible in China due to the low political efficacy of ordinary Chinese people. They consider it not an economic problem but a cultural problem. They

think the patriarchal leadership style and egocentric culture deeply rooted in ancient history will not really change. The tolerance and political efficacy of ordinary people required by democracy does not occur in China. Therefore, although democracy is desirable, it will not work in the Chinese context. As a result, all these considerations are driving them toward maintaining the status quo.

The fourth group of capitalists is different from the second one in that besides their endorsement of democratic values, they still have faith in the current Chinese government. They support both democracy and the current government. According to them, democracy is good and is the direction of Chinese political reform, but it should be pursued gradually. They do not consider it feasible in China at present. With only a short period of economic improvement, this country still faces many challenges, as described by White (1994: 80-81), “the challenges to break through powerful ecological and economic constraints on development, to guide rapid economic modernization, and to develop a capacity to compete internationally, to generate and redistribute resources to constrain regional and class-based inequalities and alleviate poverty, to restrain population growth, to provide productive jobs for a vast and expanding workforce, and to achieve a rapid rise in overall levels of material welfare.” These developmental tasks often require a state with strong authority and capacity. Thus they feel the one party ruling system has its merits in confronting China’s developmental challenges and is suitable for China today.

From this perspective, the infeasibility of democracy in China today is due to economic reasons but not constraints rooted in culture or something that cannot change. With economic improvement and social development, the obstacles to democratization in the future will not be as salient as in today's China. They think democracy is the objective

of Chinese political reform, but it has to be carried out under more advanced economic and social conditions. In the current stage, stable social order is the first priority. The political reform has to be a gradual process and led by the CCP. So for this group of capitalists, their strategy is to take a moderate and gradual approach to promote a top-down political reform, and under specific circumstances, they would like to participate actively and to a certain extent, influence the political reform in the liberal direction.

The last type of capitalists I interviewed has negative impressions of democracy and positive judgments of the current regime type. They are the truly conservative capitalists. They oppose multi-party competition and endorse the values advocated by the CCP. From their perspective, the one party system and democratic centralism - one of the CCP's major principles - are the best for China, not only in the current stage but also in the future. They do not want to give up one party ruling even though they are aware of the flaws of it. They support the government's gradual reform in applying rule of law and in eliciting more political participation, but insist on one party rule. Reform in the open and a liberal direction will contribute to the transition of the current regime to a more participatory political system, which they think is enough. For example, one capitalist, who is a village leader directly elected by the villagers, said that too much democracy was not desirable. Direct elections of local level leaders should be attempted when social economic conditions are mature enough, but the one party system could not be changed.

Based on the analyses of the four types of entrepreneurs, it could be inferred that no matter which group an entrepreneur belongs to, the most likely strategy he will take is to focus on his own business and to live with the current political system. Some choose to be politically apathetic, while some choose to make use of the current system to maximize their own interests. They try to cultivate good relations with state agents and

resolve problems through informal means. Some private entrepreneurs will probably try to participate in the political reform and promote it in the direction of democracy when their own strengths and social status allow them to, while some others truly support the policies and values delivered by the government and uphold the one party ruling system. With these analyses, it seems reasonable to conclude that although in general, private entrepreneurs have democratic values; most of them are status quo oriented and adopt pro-government strategies. Therefore, in public opinion surveys investigating governmental support, their responses indicate that they are not likely to be agents of political changes in China. The infeasibility of democracy prevents them from advocating democratization, although democracy is desirable.

The main reasons they provided for the infeasibility of democracy in China can be grouped into three categories. First, the cultural argument attributes the non-applicability of democracy to China's historically deeply rooted non-democratic culture. The entrepreneurs often mentioned that Chinese culture is not compatible with democracy. The long history of authoritarianism and popular obedience to authority are not conducive to democracy. It is also believed that the lack of democratic spirit in Chinese culture cannot really change. Under democracy, without the required spirit and capability of ordinary people, the situation could worsen.

Second, the insufficient economic and social development argument claims that democracy is not feasible in modern China, which still encounters so many developmental challenges. A strong government is still required to maintain social stability and guide rapid modernization. One party authority has its merits in governing China in the current stage, where development is the main target. As stated by White (1994, 82), "democracy is difficult in a society in which the vast majority of the

population is engaged in a remorseless struggle for material existence and lacks the time, energy, knowledge and skills to be active political participants". Political reform has to occur in a gradual process with economic improvement and social development as prerequisites.

Third, the CCP has made it very clear that it is impossible for it to give up its leadership and the one party system. Given the power of the CCP, some capitalists are pessimistic about a liberal democracy in China. As one capitalist said, "One party ruling is written in the Chinese constitution, it is impossible to change."

The perceptions of the desirability and feasibility of democracy should be considered as two key dimensions of private entrepreneurs' attitudes toward democracy, and should both be taken into account when examining their democratic support. This typology of entrepreneurs' political attitudes along the dimensions of democratic values and government support clearly shows the variations among private entrepreneurs and helps to provide a more vivid and detailed sketch of the minds of Chinese private entrepreneurs. Although in general they are more likely to have democratic values, they tend to consider democracy infeasible in China.

Conclusion

This study addresses one critical and highly debated issue regarding whether China's private entrepreneurs support democracy. In general, democracy is desirable to Chinese private entrepreneurs. Analyses of the data from CGSS 2006 demonstrate that private entrepreneurs are more likely to endorse democratic values than the non-entrepreneurial middle and working class with effects of relevant factors held equal. Their requirements for an institutionalized free market, rule of law and private property protection, and their

higher stakes in government policies, higher social status and political self-efficacy are believed to contribute to their endorsement of democratic values.

In addition, politically embedded private entrepreneurs are not less likely to demonstrate democratic values. Political embeddedness is not found to have significant impacts on private entrepreneurs' democratic values. Political background of entrepreneurs before they entered businesses does not have significant effects on their current democratic values either. Democratic values of entrepreneurs are relatively free from the impacts of their current level of political embeddedness and their previous political background. Therefore, although various kinds of informal and formal connections with the government are widespread among private entrepreneurs, they are still found to be more likely to endorse democratic values than other social groups.

On the other hand, political embeddedness does create support for the current government among private entrepreneurs. One possible explanation could be that their relations with the government provide them with more opportunities to contact and communicate with government officials. This increased communication helps them better understand the government's positions so they are more likely to support the government.

Endorsement of democratic values and support for the current government seem to not be mutually exclusive. According to these two dimensions, a typology of private entrepreneurs' political attitudes is constructed based on the thoughts gained through personal interviews with private entrepreneurs in Zhejiang province. The entrepreneurs who demonstrate democratic values tend to argue that democracy is infeasible in China, at least in the near future. As a result, they either tend to be passive or apathetic, or tend to support gradual top-down political reform in pursuing political changes. As a whole, Chinese private entrepreneurs are status quo orientated.

The scholars having optimistic anticipations of the democratic orientations of Chinese private entrepreneurs have concentrated on the desirability of democracy, while concerns regarding the feasibility of democracy in China are not adequately discussed. On the other hand, the literature demonstrating private entrepreneurs' support for the current regime has revealed their status quo oriented strategies, while overlooking their democratic values. It is possible that entrepreneurs demonstrating democratic values still have the potential to be inspired by the desirability of democracy. They are probably contingent democrats. When the conditions change, they are likely to make different choices, as their abilities or macro social environment allow them to do so. As investigated in Acemoglu and Robinson's 2006 study, income equality under an authoritarian regime plays an important role in determining the willingness of capitalists to accept democracy.

Private entrepreneurs' conservativeness in pursuing democracy is not linked to the success of the state's corporatist strategy, but occurs due to their concern of the infeasibility of democracy. The corporatist strategy of the government is only partially successful in that politically embedded entrepreneurs tend to support the government, but they are not less likely to endorse democratic values. Furthermore, it is also possible that corporatism does not create support for the government, but the government selects the most supportive entrepreneurs in the first place. Since democratic values are more difficult to detect, the government fails to select the most conservative entrepreneurs in terms of democratic values, but recruits according to the more obvious attitudes toward the government.

To conclude, opinions regarding the desirability and feasibility of democracy should be classified as two essential dimensions of Chinese private entrepreneurs' attitudes

toward democracy, and should both be taken into account when examining their democratic support. This study shows that in general Chinese private entrepreneurs find democracy desirable, and their democratic values are not significantly influenced by political embeddedness, but they tend to consider democracy infeasible, at least in China today. In real life, entrepreneurs tend to concentrate on their own businesses and try to live with the current political system. The business environment is changing quickly and they have many problems to deal with in daily operations of businesses. Some of the tough problems they are facing are believed as not caused by the regime type per se, and therefore probably could not be resolved by advocating democracy, for instance the appreciation of Chinese currency, the global economic recession resulting in exports dropping, and the difficulty of employing migrant workers due to the decreasing rate of labor mobility. These busy private entrepreneurs do not pose a significant threat to the Chinese state. They tend to maintain the status quo.

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Appendix

Table 9 Summary statistics of the control variables in the test of CGSS 2006 data

Variables	Mean	S. D.	N
Age	47.10	12.58	6,700
Household income in the last year in Yuan	27123.55	189207.1	6,700
Household income in the last year in logged	9.58	.96	6,700
Schooling years	8.26	4.07	6,700
Percentage of employees in private sector at provincial level (%)	10.11	10.78	6,700
Respondent's CCP membership (yes = 1)	.10	.28	6,700
Respondent's father's CCP membership (yes = 1)	.09	.29	6,700
Vote in recent election (yes = 1)	.30	.45	6,700
Hukou status (rural = 1)	.48	.49	6,700
Gender (female=1)	.50	.49	6,700
Percentage			
<i>Occupational sector</i>			6,700
(base group) Private sector	6.15		412
Public owned business	35.85		2,402
Government agency	2.67		179
Public institution	1.64		110
Self-employed / farmer	53.69		3,597
<i>Region</i>			6,700
(base group) Eastern	36.12		2,420
Central	40.36		2,704
Western	23.52		1,576
<i>Educational Attainment</i>			
	Percentage		
	Entrepreneurs	Middle class	Working class
None (base group)	.60	.55	9.63
Elementary	8.98	4.31	25.11
Junior Secondary	38.32	18.78	38.84
Senior Secondary	38.92	35.47	21.02
Post Secondary	13.17	40.88	5.40
Total	100.00	100.00	100.00
Observations	167	905	5,628

Table 10 Measurement models of the SEM analyses: variable description

Outcome variables:	Mean	S.D.	Std. factor loading
<i>Latent government support: Evaluations of government's performance</i>			
1 = very bad; 2 = bad; 3 = fair; 4 = good; 5 = very good			
Providing job security	3.230	.806	.691
Narrowing the gap between rich and poor	2.870	.914	.700
Improving housing conditions	3.275	.852	.739
Maintaining social order	3.399	.926	.604
Providing adequate medical care	3.024	.937	.757
Providing welfare to the needy	3.214	.834	.653
<i>Latent democratic desirability: do you agree or disagree with these statements</i>			
1 = Strongly agree; 2 = Agree; 3 = Neither agree nor disagree; 4 = Disagree; 5 = Strongly disagree			
Government leaders are like heads of family, and their decisions should be obeyed	3.052	1.072	.551
If a country has multiple parties, it can lead to political chaos	2.806	1.023	.628
A one-party system promotes economic, social, and political development, and is most suitable to China	2.399	.941	.692
Public demonstrations can easily turn into social disturbances and impact social stability and should be forbidden	2.384	1.029	.753
Forming various kinds of nongovernmental organizations can easily damage social stability	2.838	1.084	.799
<i>Latent political embeddedness</i>			
CCP status	1.764	.959	.913
(1 = no party members; 2 = democratic parties members; 3 = CCP members)			
Delegates in people's congresses	.641	1.176	.739
0 = never; 1 = township level; 2 = County level; 3 = Prefectural level; 4 = Provincial level; 5 = national level			
Party organization in enterprise (yes = 1)	.306	.461	.502

Table 11 Summary statistics of the variables in the SEM analyses

Variable	Mean	S.D.	N
Access to state-run bank loan (yes = 1)	.318	.466	2072
Former official (yes = 1)	.134	.340	2072
Former SOE employee (yes = 1)	.510	.500	2072
Former village cadre (yes = 1)	.069	.254	2072
Veteran (yes = 1)	.053	.224	2072
CCP member before business (yes = 1)	.192	.394	2072
Former SOE (yes = 1)	.303	.460	2072
Number of employees	225.290	1458.933	2067
Annual net profit	290.520	2242.779	1940
Local earning %	61.235	37.530	1979
Exports %	18.749	34.847	1729
Gender (female=1)	.116	.320	2052
Age	49.047	7.630	2052
Education	10.354	2.607	2042

Table 12 List of interviewees

No.	Date	Industry	Approximate No. of employees	Position
1	12/29/2010	Woven bags	200	Owner
2	12/30/2010	Bedding	10	Owner
3	12/31/2010	Fleet, garment	60	Owner
4	12/31/2010	Garment	30	Owner
5	01/01/2011	Garment	500	Owner
6	01/01/2011	Art ware	10	Owner
7	01/01/2011	Jewelry	50	Owner
8	01/02/2011	Construction	50	Owner
9	01/04/2011	Hangers	100	Owner
10	01/04/2011	Jewelry, real estate	2000	President of the Board
11	01/05/2011	Garden tools	70	Owner
12	01/05/2011	Real estate	30	General manager

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